

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CYPRESS HOLDINGS, III, L.P.,
individually and derivatively
on behalf of SPORT-BLX, INC.,
Plaintiff,

-v-

GEORGE HALL, JOSEPH DE PERIO,
DANIEL STRAUSS, FRANCIS
RUCHALSKI, CESAR BAEZ,
CHRISTOPHER JOHNSON,
SPORT-BLX, INC., SPORT-BLX
SECURITIES, INC., CLINTON
GROUP INC., and GLASSBRIDGE
ENTERPRISES, INC.,
Defendants.

Case No.
22-cv-01243(LGS)

VIDEOTAPED
VIDEOCONFERENCE
DEPOSITION UPON
ORAL EXAMINATION
OF
GEORGE HALL
(Vol. III)

SPORT-BLX, INC., individually
and derivatively on behalf of
its shareholders,
Plaintiff,

Case No:
1:22-cv-8111(LGS)

-v-

MICHAEL M. SALERNO and
CYPRESS HOLDINGS, III, L.P.,
Defendants.

*** CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER ***

T R A N S C R I P T of testimony taken
remotely stenographically by and before MARGARET
VOLLMUTH-CORSON, a Certified Court Reporter of the
State of New Jersey, pursuant to Federal Rules
Governing Civil Procedures, witness appearing from
the offices of MORVILLO ABRAMOWITZ GRAND IASON &
ANELLO, P.C., 565 Fifth Avenue, New York, New York,
on Thursday, June 29, 2023, commencing at
approximately 10:03 a.m.
Job No. NJ5987116

1 articulated to the board of leaving this demand note
2 outstanding would be lessened if -- if GlassBridge
3 had a -- had a bigger position.

4 The other reason was that by having a
5 bigger position, it would help with what I think I
6 called Phase 2 of the Orix transaction, which would
7 enure benefit to Sport-BLX.

8 And I think, as I said last time, this
9 was effectively a first step towards taking the
10 company public through a reverse merger as opposed
11 to an IPO. Which going back to the original FAQs, I
12 think it refers to an IPO as potential end goal for
13 this company. So there were a lot of advantages to
14 Sport-BLX to have GlassBridge own a majority.

15 Q. Mr. Hall, you referred to a Phase 2
16 with Orix. What were you referring to when you said
17 that?

18 A. So Phase 1 was Orix wanted to acquire
19 a minority position in Imation, which was a
20 subsidiary of GlassBridge. Based on the change of
21 control rules, they could only purchase
22 approximately 20 percent at the time. There was the
23 ability to purchase more sometime in early to mid
24 2020 as more what we call headroom became available,
25 and they could purchase more without causing a

1 A. I don't recall this particular chart.

2 Q. Are you familiar with the entities
3 depicted in this chart, the GlassBridge entities?

4 A. Basically. I have some general
5 understanding, --

6 Q. Okay. Do you know --

7 A. -- yes.

8 Q. Well, do you know what -- what is Adara
9 Enterprises Corp.?

10 A. In previous questions I referred to
11 Imation, which is a wholly-owned subsidiary of
12 GlassBridge, that 20 -- a little over 20 percent of
13 it was sold to Orix. Orix changed the name to Adara
14 Enterprises from Imation.

15 Q. Do you have any knowledge as to what
16 Adara Enterprises and Adara Asset Management do?

17 MR. SACK: Do or did? Can you just
18 clarify the time period?

19 MR. PEARLSON: Fair enough.

20 Q. As of -- as of April 2020 were you
21 familiar with what Adara Enterprises and Adara Asset
22 Management did?

23 A. Adara Asset Management -- I believe
24 Adara Asset Management was technically the manager
25 of the P.J. Washington -- or the entity that funded

1 the balance sheet of this SPV.

2 Q. Okay. And -- and one of the things it
3 acquired in addition to acquiring the debt, it also
4 acquired shares in Sport-BLX?

5 MR. SACK: Objection to form.

6 A. I -- that's what this says, and I
7 haven't thought about this in a while, but that --
8 that looks correct.

9 Q. What -- what was the status of
10 Sport-BLX's business in July of 2020?

11 A. Sport-BLX, around that time, was
12 continuing to focus on its technology and to --
13 around that time signed a subscription agreement,
14 what we called a subscription agreement with
15 Sport-BLX Securities.

16 Q. Was Sport-BLX's activity at that time
17 limited to trying to license its source code and
18 platform?

19 A. Well, it was limited to licensing it
20 to Sport-BLX Securities. There was really no other
21 market that would have been practical that we knew
22 about to license it to anybody else.

23 Q. Okay. Were there any efforts made to
24 license it to anybody else?

25 A. I did try to use it as collateral with

1 the software company, but basically didn't think it
2 was really worth -- that the source code was really
3 worth anything significant, but there's lots of
4 things that I don't do when I make a judgment that
5 -- we'll call it a fool's errand. Nobody would
6 license this technology at the stage it was at for
7 the purpose it was created unless it was somebody
8 affiliated with -- with it that -- or a related
9 party that understood the business, understood what
10 it was -- the technology was built for and how it
11 might be used.

12 Q. Can you tell us what is GEH Sport, LLC?

13 A. I think that's the ultimate name of
14 the entity that was referred to previously.

15 MR. PEARLSON: Okay. If we could look
16 at Hall-95 for identification.

17 (Exhibit Hall-95, Four-page Assignment
18 Agreement between GEH Capital, LLC and Adara
19 Enterprises Corp. dated 20th day of July, 2020,
20 Bates stamped SPORTBLX0273641 through 273644, is
21 marked for identification.)

22 Q. This is an Assignment Agreement. It
23 looks like it's dated about the same time as the
24 restructuring is going on, and it's between GEH
25 Capital, LLC and Adara Enterprises Corp. Do you

1 Q. Okay. And if we turn to GBE_0014757,
2 which is Schedule 1, that shows that the price per
3 share was \$2.00, correct?

4 A. Correct.

5 Q. Do you know how the \$2.00 -- the price
6 of \$2.00 per share was arrived at in terms of this
7 purchase by FinTech?

8 A. I think it was all part of the bigger
9 transaction, multiple pieces to -- to have
10 GlassBridge buy back the debt that it owed to Joe
11 and myself and for Joe and I to form an entity to
12 buy the demand note from Sport-BLX and the stock
13 from Sport-BLX. So it was all an -- all of these
14 prices worked together to get us to an end result.

15 Q. Okay. But do you know how the price --
16 specifically price per share of \$2.00 was arrived
17 at?

18 A. Specifically \$2.00 as opposed to
19 \$3.00? I don't think there was a specific
20 calculation that would give you a -- an answer in
21 that fine a detail.

22 Q. Well, as of December of 2021 what was
23 the status of Sport-BLX's business?

24 A. The -- we were -- well, as of December
25 of 2021 we had just effectively cancelled the

1 capital raise that we were attempting to do when a
2 shareholder made out allegations about siphoning
3 money from the company, so we had to put that on
4 hold until those allegations were reported to the
5 board and investigated and vetted by the board. But
6 at the same time, Sport-BLX was potentially going to
7 have -- Sport-BLX, Incorporated was potentially
8 going to get a significant value from consummating
9 the transaction with P.J. Washington, which at that
10 time I think would have been a significant amount of
11 value to Sport-BLX, Inc.

12 Q. How far did the transaction with P.J.
13 Washington progress? Was there ever any draft
14 agreements?

15 A. Yeah, we -- yes, we had draft -- we
16 had agreements. So we had firm agreements with P.J.
17 Washington, and I was in a number of discussions
18 with selling those shares to third party investors.
19 So we were pretty close to consummating that
20 transaction and actually leading to a reasonable
21 amount of revenue for a reasonable increase in asset
22 value for Sport-BLX.

23 Q. And that was as of December of 2021?

24 A. Well, it was the -- we had to -- I
25 think it was in roughly November of 2021 that we had

1 to -- maybe even October that we -- I felt we had to
2 cancel the -- the fund raise that we were doing for
3 Sport-BLX, Incorporated, so it was a little bit
4 before this time.

5 Q. And what happened with the P.J.
6 Washington agreement?

7 A. Well, I was negotiating and talking to
8 a number of parties about making the investment and
9 -- and that was December or January, and then once
10 the -- the company was sued, it was -- it was
11 impossible to get the transaction done.

12 Q. Okay. And in terms of the -- so in --
13 as we saw, in December of 2019 GlassBridge purchased
14 your shares and Mr. De Perio's shares for \$355.00
15 per share, correct?

16 MR. SACK: Objection to the form.

17 A. I understand what you're saying.
18 That's not exactly how I look at it, but yes.

19 Q. Okay. And then two years later they --
20 they sold their shares for \$2.00 per share, correct?

21 A. That's way out of context.

22 Q. Well, isn't it a fact that they sold
23 their shares -- that GlassBridge sold its shares to
24 FinTech for \$2.00 per share?

25 A. Well, then I would argue that they

1 why don't you put the schedule up again. Thank you.

2 A. Okay. So what was the question?

3 Q. The question was how long after -- you
4 indicated that, you know, at some point Sport-BLX
5 Securities stopped paying the fees. How long was
6 the agreement in effect and Sport-BLX Securities
7 paying the fees until it -- it stopped paying the
8 fees?

9 A. I -- I'm not exactly sure how long it
10 was, but I think the amount of fees paid in -- was
11 approximately \$600,000.00, but I'm not exactly sure
12 of that number, and I'm not sure over what time
13 period.

14 Q. Okay. And you don't know how long the
15 agreement was in -- in effect?

16 MR. SACK: Objection to form. May
17 call for a legal conclusion.

18 Q. Let me ask you this. At some point,
19 Mr. Hall, did -- did the parties terminate the
20 agreement, the subscription agreement?

21 A. As I recall, the -- there was what we
22 referred to -- I don't know if it's in the document,
23 but we referred to it as a trigger agreement where
24 Sport-BLX, Incorporated could no longer perform the
25 functions that Sport-BLX Securities had bargained

1 for.

2 Q. And so as a result did Sport-BLX
3 Securities terminate the agreement?

4 A. I don't think it was a termination at
5 any one particular time. It was a period of time
6 during which there was some discussion and
7 negotiation about how to deal with this.

8 Q. And who -- who were the participants in
9 those discussions and negotiations?

10 A. Well, I think the initial discussions
11 were Pete Rawlins and Joe De Perio.

12 Q. And you indicated that the -- that
13 Sport-BLX was no longer able to provide the service
14 or service the -- the code and the platform
15 appropriately. Why was that?

16 A. Well, --

17 MR. SACK: Objection to form, but you
18 can answer.

19 A. There were a number of reasons, but
20 one was the CTO quit, and then at some point the
21 number two in command on technology quit, so the
22 only real ongoing development was people at
23 Sport-BLX Securities because Sport-BLX, Incorporated
24 couldn't fulfill any of its obligations.

25 Q. Do you recall when it was -- first of

1 all, who was the CTO of Sport-BLX?

2 A. It was Ryan Fisch.

3 Q. And do you recall when he quit?

4 A. I -- I think it was in the -- oh, I
5 think it was August or so -- I don't recall exactly.
6 I think it was August of 2020.

7 Q. And do you recall why he quit?

8 A. Well, they never quite tell you, but
9 one thing I do know, he spent a lot of -- he had a
10 lot of interest in the alternative trading system
11 concept, or ATS. I think one of the projects he
12 spoke about a lot and was interested in pursuing was
13 an ATS, so I think over time he realized that that
14 wouldn't likely happen. You know, that was one of
15 the things that I knew was troubling to him, but I
16 don't really know specifically why he quit.

17 Q. Okay. Now, at -- you also indicated
18 that the second in command or the second ranked, you
19 know, technology officer quit too. When -- do you
20 recall when that was?

21 A. I think early 2021.

22 Q. Okay. At some point did the -- did the
23 discussion turn to Sport-BLX Securities purchasing
24 the source code and platform from Sport-BLX, Inc.?

25 A. Yes.

1 Q. Mr. Hall, maybe -- regardless of what
2 the -- you know, what the particular provision of
3 the agreement says, what was your understanding of
4 Sport-BLX Securities, Inc.'s rights with respect to
5 the trading platform and source code that you just
6 described to us?

7 A. Well, the Sport-BLX Securities was
8 paying for the use of code, and if Sport-BLX,
9 Incorporated were not able to support the code or
10 went bankrupt or any situation that they couldn't
11 fulfill their obligations, there needed to be some
12 protection that Sport-BLX Securities didn't throw
13 that money out the window for nothing. So
14 ultimately if Sport-BLX, Incorporated defaulted and
15 couldn't fulfill its obligations, Sport-BLX
16 Securities can continue to use the code as -- use
17 and modify the code as it sees fit.

18 Q. Without paying fees or with paying
19 fees?

20 A. Without paying fees is my
21 recollection.

22 MR. PEARLSON: Okay. Why don't we
23 take a break here because I believe now is the time
24 you need to take your break to do the call.

25 How much time do you think -- let's go

1 Q. Okay. Now, Mr. Hall, are you saying
2 that as of December 2021, that Sport-BLX, Inc. had
3 ceased providing the servicing of the -- that was
4 required under the agreement?

5 MR. SACK: Objection to the form.

6 A. Well, prior to that date, yes.

7 Q. Okay. And -- and that's what you were
8 referring to. Is there anything else you're
9 referring to when -- when you say there was a
10 triggering event because Sport-BLX ceased to perform
11 its material obligations under the agreement?

12 A. Well, no. Let's go through all of
13 them then. Can we go back a page?

14 So "becomes insolvent," I think the
15 supplier was, in fact, insolvent. It was unable to
16 pay its debts. It did not -- letter (C), it did not
17 file for bankruptcy. (D), (E)...

18 It had not yet terminated or
19 permanently ceased its ongoing operations, so there
20 were three -- three of the letters, I think, were --
21 could be applicable to Sport-BLX, Inc. at the time.

22 Q. So you considered there to have been
23 triggering events that would have allowed Sport-BLX
24 Securities to copy or take control of the -- of the
25 source code and use it for its own purposes. Is

1 that your testimony?

2 A. Yes.

3 Q. Okay. And then it says -- it says, "as
4 acknowledged in the previous board meeting, they
5 would investigate paying some consideration for its
6 sole ownership."

7 A. Are we -- are we back to the minutes?
8 Can you -- can you put the minutes back up?

9 Go ahead.

10 Q. So at some point the board looked into
11 a payment from Sport-BLX Securities, Inc. to
12 Sport-BLX for the -- for the ownership, the sole
13 ownership of the code?

14 A. I don't -- I don't know if "the board
15 looked into it" is the right characterization, but
16 yes, it was my recommendation to the board that
17 Sport-BLX Securities pay some consideration for the
18 -- for the code.

19 Q. Okay. And how did you go about -- how
20 did the board go about determining what the
21 appropriate purchase price was for the code?

22 A. Well, the -- the company was that
23 time -- or prior to that, at the time of the trigger
24 event, was a GlassBridge subsidiary. Mr. Fisch had,
25 at one point, for purposes of GlassBridge's

1 evaluation, I think, put a value on the -- on the
2 software at roughly \$200,000.00.

3 Q. For what purpose had Mr. Fisch
4 undertaken that task to value the software or the --
5 I should say the source code?

6 MR. SACK: Objection to form.

7 A. Well, it says it in the minutes, that
8 for the 2019 audit Mr. Ruchalski had spoken to
9 Mr. Fisch, the CTO at the time, about what costs
10 could be capitalized, if any. So that was the
11 purpose.

12 Q. Okay. And what -- what was the -- what
13 2019 audit is he referring to there or are you
14 referring to there?

15 A. I believe it's the 2019 audit of
16 GlassBridge.

17 Q. Okay. And then it says, "Mr. Fisch
18 wrote a memo stating that there were not any
19 takeaways from what ConsenSys built." Did you ever
20 see that memo?

21 A. I don't know if I specifically saw the
22 memo.

23 Q. Do you know what was meant there when
24 it says "that there were not any takeaways from what
25 ConsenSys built"?

1 MR. PEARLSON: This is page 62 you're
2 on?

3 It doesn't matter. It's the same
4 information. It's fine.

5 Q. So here it's called related party
6 transaction. It's actually -- that's on page 62 of
7 the pdf. It talks about on December 21 at the
8 beginning -- at the bottom of the page --

9 MR. PEARLSON: What page are you on?

10 MR. TYRRELL: (Inaudible.)

11 MR. PEARLSON: I was on page 45.

12 Hold on one sec. Sorry.

13 Here you go.

14 Q. You see where it says under "Sports
15 Technology Platform" on December '21 "SportBLX sold
16 proprietary code to S-BLX Securities, a related
17 party, for 225,000." Do you see that?

18 A. I didn't see the first part. You said
19 Sport Tech- -- Sports Technology Platform?

20 MR. PEARLSON: Scroll up so he could
21 see it.

22 A. Okay. There we go.

23 Okay. I can see it, yeah.

24 Q. Okay. Is that consistent with your
25 recollection as to the fact that there was a sale of

1 the code and platform to Sport-BLX Securities for
2 \$225,000.00?

3 A. Well, that was part of it.

4 Q. What else was there?

5 A. The next section below.

6 Q. Okay. This is all part of one
7 transaction here?

8 A. They were done on different days, but
9 they were part of the same transaction. GlassBridge
10 recorded it on different days, which is probably
11 just creating documents took another day or so, but
12 it's part of the same transaction.

13 You -- you might assume that
14 \$225,000.00 for code that was created for roughly \$2
15 million or some number bigger than the founders'
16 round was a low price. So from Sport-BLX
17 Securities' standpoint, they didn't really
18 necessarily need to buy it, they could just use it,
19 but there would be advantages to actually owning it
20 in terms of marketing. And once I realized that
21 effectively Mr. Salerno had destroyed most of the
22 possibilities of Sport-BLX's success, it was clear
23 that was the mission, I realized that the best way
24 to get shareholders a value and to create this
25 ecosystem was to have the code in the same place as

1 the entity that was going to continue to do
2 business.

3 From Sport-BLX Securities' standpoint,
4 they didn't really have to pay anything, but I
5 thought it was reasonable that they did. By the
6 same token, it would be unreasonable for Sport-BLX
7 Securities to write a check for some significant
8 amount of money for code that it had already spent
9 \$600,000.00, plus an awful lot of time and energy
10 and employee time that went towards Sport-BLX, Inc.
11 So to jump in and make the transaction fair, in my
12 view, as close to fair as possible for both sides,
13 we basically wrote off \$1.3 million or \$1.35 million
14 of debt at Sport-BLX, Incorporated. So the total
15 consideration was the cash plus the debt write-off.
16 And if Sport-BLX Securities did pay a big amount of
17 cash for the code, it would have gone to pay down
18 debt anyway.

19 So by doing it this way, effectively
20 Joe De Perio and myself wrote off debt that was
21 owned by FinTech Debt Corp. to make it seem -- to
22 make it not only fair to Sport-BLX Securities, but
23 reasonable compensation to Sport-BLX, Inc. for the
24 original cost of the code.

25 Q. Mr. Hall, as of the time of this sale,